

Members

Sen. Becky Skillman, Chairperson
Sen. Teresa Lubbers
Sen. Allen Paul
Sen. Mark Blade
Sen. Earline Rogers
Sen. Larry Lutz
Rep. Robert Kuzman
Rep. David Crooks
Rep. John Frenz
Rep. Robert Cherry
Rep. Jack Lutz
Rep. David Yount



INTERIM STUDY COMMITTEE ON ECONOMIC DEVELOPMENT ISSUES

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Authority: Legislative Council Resolution 99-1
(Adopted May 26, 1999)

MEETING MINUTES¹

Meeting Date: October 5, 1999
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington
St., Room 431
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Sen. Becky Skillman, Chairperson; Sen. Teresa Lubbers;
Sen. Allen Paul; Sen. Mark Blade; Sen. Earline Rogers; Sen.
Larry Lutz; Rep. Robert Kuzman; Rep. David Crooks; Rep. John
Frenz; Rep. Robert Cherry; Rep. Jack Lutz; Rep. David Yount.

Members Absent: None.

Senator Becky Skillman, the chair of the Committee, called the Committee to order at 10:00 A.M. After an introduction of the Committee members and staff, Senator Skillman briefly described the study topics assigned to the Committee and what the Committee had done at its previous meetings. She noted that this meeting of the Committee would be devoted to studying the impact of changes in gaming laws in surrounding states on Indiana's gaming industry. The Committee then approved the minutes of the previous

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meeting.

Senator Skillman stated that Attorney General Modisett had been scheduled to testify before the Committee in his capacity as chairman of the Indiana Gambling Impact Study Commission, but because that Commission's report has not yet been finalized, the Attorney General did not think it was appropriate to discuss possible findings and recommendations. Senator Skillman explained that the Center for Urban Policy and the Environment had contracted for the preparation of 15 research papers, of 20 to 80 pages in length, on numerous issues related to the social, economic, and fiscal impacts of gaming. She also noted that the Indiana Gambling Impact Study Commission would hold additional hearings in October and November and that the Commission is planning to have its final report finished in December.

Senator Earline Rogers commented that the Indiana Gambling Impact Study Commission was not specifically charged with examining the impacts that may result from changes in gaming laws in other states, and she suggested that the Committee's work on this issue should be provided to the Indiana Gambling Impact Study Commission.

Senator Skillman then called on staff to discuss certain background materials they had prepared. Ed Gohmann, the Committee's attorney, summarized the following changes and proposed changes to riverboat and casino gaming in nearby states.

Kentucky:

(1) Governor Patton has said that he may support 12 to 14 state-owned casinos at "key entry points in Kentucky;"

(2) proposals have also been made to allow video slot machines and casino gaming at racetracks; and

(3) the state has commissioned a study examining the social and economic impact of expanding gambling in Kentucky; the study will review three scenarios: (a) 12 to 14 land-based casinos; (b) video slot machines at racetracks; and (c) quick-draw keno in bars.

Illinois

(1) amendments to the Illinois gaming law in June have eliminated cruising requirements for the state's nine riverboats;

(2) Illinois gaming revenue for July (the first full month of dockside gaming) increased 35% over July 1998;

(3) the 1999 legislation allows for the transfer of a dormant gaming license to Rosemont, near Chicago's O'Hare Airport; the 1999 legislation also reduced taxes on horse racing and provided for the transfer of certain casino revenues to increase purses at racetracks; it has been reported that these changes will lead to the re-opening of Arlington International Raceway (northwest of Chicago); and

(4) Governor George Ryan has proposed discussions concerning a midwestern "regional interstate compact" to ensure a uniform approach to gaming activities in the region.

Michigan

- (1) three casinos have been approved for Detroit; one has already opened, and the other two are expected to be open by November 1999; and
- (2) there have been proposals to allow slot machines at the state's racetracks.

Missouri

- (1) in September, the Missouri Gaming Commission voted to eliminate cruising requirements for all of Missouri's riverboats; and
- (2) during a one-month experiment with open boarding for a riverboat in St. Louis, attendance increased by 45% and revenues increased 10% compared to the same period in 1998.

Iowa

The Iowa state legislature approved a bill in 1998 to impose a moratorium on casino expansion, but the bill was vetoed by Governor Branstad

Representative Bob Kuzman questioned Mr. Gohmann concerning possible expansion of Native American gaming in Indiana. Mr. Gohmann answered that he had seen articles describing attempts by a number of tribes to open casinos in southern Michigan.

Mr. Brian Tabor, fiscal analyst for the Committee, then provided Committee members with a brief overview of the growth of riverboat admissions tax and riverboat wagering tax revenue. (For a copy of these materials, see Exhibit A.)

Senator Skillman then recognized Mr. Jack Thar, Executive Director of the Indiana Gaming Commission. Mr. Thar began by describing some of the capital investment and employment impacts that the gaming industry has had in Indiana. He stated that the project development costs paid by casinos in Indiana had totaled more than \$1.4 billion for the state's nine casinos, without considering any indirect "ripple" effects from this spending. He also stated that casinos employ over 12,500 employees in Indiana.

Mr. Thar provided the Committee with the following information concerning tax revenue:

- (1) in August of this year over \$9.8 million dollars in admissions taxes had been collected and over \$26.3 million in wagering taxes had been collected, for total tax collections that exceed \$36.2 million;
- (2) for the year to date, over \$76.8 million in admissions taxes had been collected and over \$207.5 million in wagering taxes had been collected, for total tax collections that exceed \$284.4 million; and
- (3) since the commencement of casino gaming, over \$283.1 million in admissions taxes had been collected and over \$744 million in wagering taxes had been collected, for total tax collections that exceed \$1.027 billion.

Mr Thar noted that these tax collections did not include property taxes, sales taxes, or income taxes paid by casinos or their employees. He also provided the Committee with a description of the manner in which the admissions tax revenue had been divided between counties, cities, county convention and visitor bureaus, the State Fair Commission, the

Division of Mental Health, and the Indiana Horse Racing Commission. Mr. Thar explained that 75% of the casino wagering tax revenue is distributed to the Build Indiana Fund (over \$588 million since the commencement of gaming) and the remaining 25% of the revenue is distributed to the home dock site. He also added that each casino has negotiated an agreement with its home city or county that provides additional revenues.

Mr. Thar then provided the Committee with the following information concerning recent changes to the adjusted gross receipts ("AGR") reported by Indiana and Illinois casinos:

- (1) from June 1999 to July 1999, Indiana total AGR increased by 16.09%, with every casino showing an increase;
- (2) from July 1999 to August 1999, Indiana total AGR decreased by 6.99%, with every casino except one showing a decrease;
- (3) from June 1999 to July 1999, Illinois total AGR increased by 28.02%, with every casino showing an increase; and
- (4) from July 1999 to August 1999, Illinois total AGR decreased by 2.67%, with every casino except one showing a decrease.

Mr. Thar also provided Committee members with the following information concerning comparing AGR figures from months in 1998 with corresponding months in 1999:

- (1) compared to July 1998, Indiana's July 1999 AGR had increased by 5.79%, with some casinos showing an increase and some showing a decrease;
- (2) compared to August 1998, Indiana's August 1999 AGR had increased by 0.16%, with some casinos showing an increase and some showing a decrease;
- (3) compared to July 1998, Illinois' July 1999 AGR had increased by 34.57%, with all casinos showing an increase of at least 18%; and
- (4) compared to August 1998, Illinois' August 1999 AGR had increased by 35.05%, with all casinos showing an increase of at least 16%.

Mr. Thar stated that it was difficult to say with certainty if the 6.99% decline in Indiana AGR from July to August of this year was due to dockside gaming in Illinois. He pointed out that Illinois AGR in that period also fell, showing a decrease of 2.67%. Mr. Thar commented that it was too soon to tell what impact dockside gaming in Illinois would have on Indiana's gaming revenues, and whether the increases in Illinois revenue (compared to 1998) were at the expense of Indiana. He did point out that the Casino Aztar seemed to be showing the biggest effect, and that this might be because it was in a smaller market and there was an Illinois casino (now with dockside gaming) only 90 miles away.

Mr. Thar then provided the Committee with the following information concerning admissions figures reported by Indiana and Illinois casinos:

- (1) from June 1999 to July 1999, Indiana admissions increased by 22%, with every casino showing an increase;
- (2) from July 1999 to August 1999, Indiana admissions decreased by 7.34%, with every casino showing a decrease;

(3) from June 1999 to July 1999, Illinois admissions increased by 50.16%, with every casino showing an increase; and

(4) from July 1999 to August 1999, Illinois admissions decreased by 5.69%, with every casino except showing a decrease.

Mr. Thar also provided Committee members with the following information comparing admissions figures from months in 1998 with corresponding months in 1999:

(1) compared to July 1998, Indiana's July 1999 admissions had increased by 0.55%, with some casinos showing an increase and some showing a decrease;

(2) compared to August 1998, Indiana's August 1999 admissions had decreased by 3.99%, with some casinos showing an increase and some showing a decrease;

(3) compared to July 1998, Illinois' July 1999 admissions had increased by 43.71%, with all casinos showing an increase of at least 30%; and

(4) compared to August 1998, Illinois' August 1999 admissions had increased by 40.43%, with all casinos showing an increase of at least 29%.

Mr. Thar pointed out that Illinois had a sizable increase in riverboat admissions after it had authorized dockside gaming. He explained that Illinois casinos are limited to 1,200 gaming positions, while Indiana's smallest riverboat has 1,400 gaming positions.

He also stated to the Committee that when Iowa had eliminated its cruising requirement, an Illinois riverboat went out of business, and that other riverboats in the "Quad-Cities" area near Iowa have had marginal performances (but with significant recent increases, after dockside gaming was authorized in Illinois).

Mr. Thar also provided Committee members with articles from the "National Gaming Summary." He noted that one of the articles described a survey showing that many patrons of Indiana riverboats in Lawrenceburg and Rising Sun are Kentucky residents, and that the Indiana riverboats are taking revenue from the horse racing track at Churchill Downs.

Mr. Thar stated that if dockside gaming is authorized in Indiana, the structure of the admissions tax would probably need to be revamped, because the current tax is levied on a per patron, per cruise basis. If cruises were eliminated, basing the tax on a "per turnstile" basis would lead to a significant drop in admissions tax revenue.

Senator Mark Blade asked Mr. Thar whether dockside gaming would change the distribution of admissions tax revenue. Mr. Thar replied that the distribution is set by statute, but that dockside gaming would require a change in the way patrons are counted for purposes of imposing the tax.

Senator Larry Lutz asked Mr. Thar if the counting of patrons for admissions tax purposes was done by the Indiana State Police or by riverboat employees. Mr. Thar answered that the counting is done by riverboat employees, with Indiana Gaming Commission audits based on the review of video tape. He stated that the first time incorrect counting is uncovered, a penalty equal to the amount of lost revenue is imposed; if there is a second such incident at the same establishment, the next penalty would be equal to twice the tax revenue lost from the miscounting.

Senator Teresa Lubbers pointed out that the figures concerning the recent increase in Illinois gaming revenue that were in the article distributed by Mr. Thar did not match other data presented by Mr. Thar. Mr. Thar explained that the figure in the article was from an industry trade group, and he was unsure what was covered in that figure.

Representative Bob Kuzman asked Mr. Thar when the September data for Indiana riverboats would be available. Mr. Thar replied that the information would be available on October 20. Representative Kuzman asked Mr. Thar if he could see any trends based on the limited data. Mr. Thar stated that it was too soon to see a definite trend, but that early data showed a significant increase in Illinois attendance after dockside gaming was authorized, and a decrease (but not nearly as large as the Illinois increase) in Indiana's attendance.

Senator Skillman questioned Mr. Thar concerning his views, as a casino regulator, toward regional compacts. Mr. Thar replied that the positive aspect of such compacts is that they may limit a "war" between the states for patrons and revenue, but that he believes some issues should not be uniform. He commented that, for example, it may be appropriate for Indiana to have a different tax structure than Illinois. (For a copy of the information distributed by Mr. Thar, see Exhibit B.)

Senator Skillman then recognized Mr. Ron Gifford of the law firm of Baker & Daniels, representing the Casino Association of Indiana. Mr. Gifford stated that Dr. Andrew Moody of PriceWaterhouseCoopers would testify before the Committee concerning the preliminary results of a study he had prepared to estimate how changes to gaming laws in Illinois, Michigan, and Kentucky might affect Indiana's riverboats over the next five years.

Mr. Gifford explained that Indiana's gaming law had been passed in 1993 in response to serious economic problems facing certain parts of northwestern Indiana and the areas along the Ohio River. He stated that traditional economic development programs had failed to address the problems of high unemployment, lack of capital investment, few high-paying jobs, and decaying infrastructure in these regions. He noted that the gaming law was specifically designed to spur growth and development in economically depressed areas of Indiana, and that the Indiana Gaming Commission was directed to issue licenses only to applicants "that promote the most economic development in a home dock area and that best serve the interests of the citizens of Indiana."

Mr. Gifford then described the tax structure imposed on the gaming industry. He stated that in addition to the usual property, sales, and income taxes all businesses pay, riverboats pay two other taxes: (1) a wagering tax, which is equal to 20% of adjusted gross receipts ("AGR"); and (2) an admissions tax equal to \$3 per person per cruise. Mr. Gifford next explained that the wagering tax receipts were divided between the State (75%) and the host city (25%), and that the \$3 admissions tax was divided between the host city (\$1), the host county (\$1), and the State (\$0.65 for the Indiana Horse Racing Commission; \$0.15 to the Indiana State Fair Commission; \$0.10 to the Indiana Division of Mental Health; and \$0.10 to the host area's convention and visitors bureaus).

Mr. Gifford stated that in 1996 approximately five million people had visited Indiana's riverboats, and that this number had grown to over 17 million by 1998. He also testified that:

(1) the wagering tax revenues were \$74.5 million in 1996; \$192.5 million in 1997; \$268.1 million in 1998, and \$207.6 million for January to August of 1999; with total collections of more than \$742 million; and

(2) the admissions tax revenues were \$29 million in 1996, \$74.3 million in 1997, \$102.4 million in 1998, and \$76.8 million for January to August of 1999; with total collections of more than \$282 million.

He stated that the riverboats also pay other taxes normally paid by businesses, and he pointed out that, in addition to the tax revenue, gaming companies had made private capital investments of more than \$1.3 billion. Mr. Gifford noted that this investment had been made without any tax abatements, tax increment financing incentives, EDGE credits, job training money, or state or local money for infrastructure improvements. Mr. Gifford also explained that almost every host city had negotiated a "development agreement" with a riverboat in which the riverboats have committed to pay between 2% and 14% of their adjusted gross revenue to the host community on an annual basis (in addition to all other taxes paid). He described a number of the benefits that have come from development agreements entered into by riverboats and the host cities, such as \$8 million for downtown revitalization in Evansville, \$4.5 million for marina development in Michigan City, and \$20 million for roads, water projects, and sewers in Lawrenceburg.

Mr. Gifford then provided the following information concerning casino employment:

- (1) casinos directly employ over 13,000 persons;
- (2) these jobs offer training and promotion opportunities;
- (3) the average annual salary is approximately \$24,000;
- (4) most benefit packages include such things as health, dental and life insurance, profit sharing, and vacation, sick, and holiday pay;
- (5) the annual wages and benefits exceed \$300 million;
- (6) 75% of the employees are Indiana residents;
- (7) 31% of the employees are minorities (57% in Lake County); and
- (8) more than half of the employees are women.

Mr. Gifford testified that the wagering and admissions taxes collected from 1996 through 1999:

- (1) were distributed to the host cities in the following amounts: East Chicago, \$36.2 million; Evansville, \$27.2 million; Gary, \$60.6 million; Hammond, \$51.7 million; Lawrenceburg, \$45.0 million; Michigan City, \$21.5 million; and Rising Sun, \$31.1 million;
- (2) were distributed to the host counties in the following amounts: Dearborn County, \$14.9 million; Harrison County, \$3.7 million; Lake County, \$51.3 million; LaPorte County, \$7.2 million; Ohio County, \$9.5 million; Vanderburgh County, \$7.8 million; and to host area convention and visitors bureaus, \$9.4 million; and
- (3) were distributed to the State in the following amounts: Build Indiana Fund, \$557 million; Indiana Horse Racing Commission, \$61 million; Indiana State Fair Commission, \$14.1 million; and Indiana Division of Mental Health, \$9.4 million.

Mr. Gifford stated that the gaming tax revenue distributed to the Build Indiana Fund was

used to pay for reductions in the auto excise tax and for capital projects. He then briefly described Indiana's riverboat cruising schedule, and he stated that limiting the boarding times for patrons is an inconvenience to them.

He then described to the committee a number of gaming changes in surrounding states:

- (1) Illinois: has eliminated riverboat cruising requirements and allows boarding at will; has authorized casinos on permanently moored barges; and has authorized a riverboat in Rosemont, near O'Hare Airport.
- (2) Michigan: land-based casinos may open in New Buffalo; additional casinos are opening in Battle Creek and Detroit.
- (3) Kentucky: there is a possibility of 10 to 14 land-based casinos, including sites directly across the Ohio River from Indiana riverboats.

Senator Skillman then called on Dr. Andrew Moody, the Director of Hospitality Research for PriceWaterhouseCoopers. Mr. Moody began by stating that he wished to discuss the preliminary results of a study being prepared for the Casino Association of Indiana that attempted to estimate the impact that recent and proposed changes in border states' gaming legislation would have on Indiana's economy.

Mr. Moody then explained that in order to estimate future impacts, he first had to choose a baseline against which to measure any changes. He stated that for purposes of the report the baseline involved estimates of the Indiana gaming market under the regional gaming conditions that existed on January 1, 1999. He then described three alternative scenarios for which he had prepared impact estimates:

- (1) Alternative 1: estimates of the Indiana gaming market with dockside gaming in Illinois, the expansion of Native American gaming in Michigan, and the development of casinos in Detroit.
- (2) Alternative 2: estimates of the Indiana gaming market with the development of land-based casinos in Kentucky.
- (3) Alternative 3: a combination of alternatives 1 and 2.

Mr. Moody testified that under the baseline scenario (conditions as they existed on January 1, 1999), he estimated that:

- (1) gross Indiana casino revenues would increase from \$1.7 billion in 1999 to \$2.2 billion in 2005, an average annual increase of 4.7% (he explained that these estimates included assumptions of increased population, increased market penetration, and a small increase in the propensity to spend at casinos);
- (2) the growth in casino revenue would lead to employment growth among casinos, with direct casino jobs increasing from 13,159 in 1999 to 17,245 in 2005, an average annual increase of 4.6%;
- (3) the growth in casino revenue and admissions would lead to an increase in gaming and admissions taxes from \$428 million in 1999 to \$547 million in 2005, an average annual increase of 4.2%;
- (4) the total direct and indirect employment impact of gaming would increase from

25,137 jobs in 1999 to 31,212 jobs in 2005, an average annual increase of 2.8%; and

(2) as a result of the direct and indirect employment gains created by casino gaming, direct and indirect wages and salaries would increase from \$575 million in 1999 to \$704 million in 2005, an average annual increase of 2.5%.

Mr. Moody then provided the following estimates of the impacts that would occur under Alternative 1 (dockside gaming in Illinois; expansion of Native American gaming in Michigan; the development of casinos in Detroit):

(1) as a result of expanded gaming in Illinois and Michigan, patrons will shift to casinos in those states, and by 2005 Indiana casinos will experience a \$448 million loss (20%) compared to the baseline projections;

(2) because of the lower admissions and the loss of revenue, casinos will purchase fewer goods and services from their suppliers; fewer job opportunities among casinos and their suppliers will also lead to fewer purchases of consumer goods and services; by 2005, the expenditures for goods and services in the Indiana economy will fall by \$744 million (21%) compared to the baseline projections;

(3) the reduction in the purchases of goods and services will lead to fewer jobs; by 2005, gaming employment will fall by 6,594 (21%) compared to the baseline projections;

(4) by 2005, direct and indirect wages and salaries will fall by \$154 million (22%), compared to the baseline projections;

(5) the contraction in employment and income that will result from increased gaming competition will result in the loss of state and local revenues (both direct gaming taxes and other taxes); by 2005, state and local tax collections will be \$103 million (16%) lower, compared to the baseline projections, because of reduced gaming activity in Indiana; and

(6) the impacts of dockside gaming in Illinois and increased casino gaming in Michigan will be concentrated in northwestern Indiana; compared to the baseline projections, the estimated impact of these changes on northwestern Indiana is: a 39.2% decline in gross casino revenues; a 38.9% decline in total expenditures, in total employment, and total wages and salaries; and a 29.9% decline in total tax revenues.

Mr. Moody then provided the following estimates of the impacts that would occur under Alternative 2 (the development of land-based casinos along the Indiana - Kentucky border):

(1) the southern Indiana casinos will experience a significant decline in gross casino revenues; by 2005, Indiana casinos will experience a \$224 million loss (10%) compared to the baseline projections;

(2) by 2005, the expenditures for goods and services in the Indiana economy will fall by \$331 million (9.5%) compared to the baseline projections;

(3) by 2005, gaming employment will fall by 3,053 (9.8%) compared to the baseline projections;

(4) by 2005, direct and indirect wages and salaries will fall by \$64 million (9.1%), compared to the baseline projections;

(5) by 2005, state and local tax collections will be \$56 million (8.8%) lower, compared to the baseline projections, because of reduced gaming activity in Indiana; and

(6) the impacts of the development of land-based casinos in Kentucky will be concentrated in southern Indiana; compared to the baseline projections, the estimated impact of these changes on southern Indiana is: a 19.1% decline in gross casino revenues; a 19.2% decline in total expenditures; a 19.5% decline in total employment; a 19.2% decline in total wages and salaries; and a 17.5% decline in total tax revenues.

According to Mr. Moody, the combined impact of changes in Illinois, Michigan, and Kentucky (Alternatives 1 and 2 combined) would result in approximately a 30% reduction in gaming activity and its economic impact in the state. Compared to the baseline projections, the estimated impact of these changes would be: a 30.2% decline in gross casino revenues; a 30.7% decline in total expenditures; a 30.9% decline in total employment; a 31.0% decline in total wages and salaries; and a 23.2% decline in total tax revenues.

He explained that this would be a loss of approximately \$700 million per year in gross gaming revenue and a loss of almost 10,000 jobs (compared to the baseline). Mr. Moody also noted that northwestern Indiana would not only suffer losses compared to the estimated baseline, but would experience an absolute decline as well.

Representative Jack Lutz questioned Mr. Moody concerning the relationship between the strong national economy and casino revenues. Mr. Moody answered that there is a direct and positive relationship between the state of the economy and casino revenues, and he stated that these revenues do follow changes in national income and employment levels.

Senator Lubbers asked Mr. Moody where Indiana ranks nationally in terms of its gaming industry. Mr. Moody replied that it is most likely fifth in the nation, behind Nevada, New Jersey, Connecticut, and Mississippi. Senator Skillman and Senator Lubbers questioned Mr. Moody concerning the methodology behind his reports, and he stated that the estimates were based on market-based penetration studies, historical data (including the fact that Indiana's penetration rate is greater than Illinois' rate), and data on population growth and spending patterns.

Senator Lubbers commented that it would be useful to know how much of the estimated impact on Indiana resulted from the fact that we do not allow dockside gaming. Representative Bob Cherry questioned Mr. Moody concerning his assumptions under the baseline scenario that Indiana's admissions would continue to grow. Representative Cherry noted that at some point the growth will level off.

Senator Skillman next recognized Mr. Scott King, Mayor of the City of Gary. Mayor King stated that he wished to contrast for the Committee Gary's economic condition before the commencement of gaming with its condition after gaming had begun. He stated that before the advent of gaming, (1) there was an outward migration of retail business and residents; (2) income, investment, and the number of job opportunities were declining; and (3) the City was unable to adequately fund infrastructure, equipment, and public safety. Mayor King noted that at one time U.S. Steel's Gary Works had employed over 25,000 workers, but that it currently employs only 7,500 (with only 2,500 of those actually living in

Gary). He stated that the lack of job opportunities had led to an increase in Gary's crime rate.

Mayor King explained that gaming had brought new jobs to Gary and had provided the City with additional resources for its public safety functions. He testified that during the past three years the size of the police department had increased 50%, the pay of police officers had increased 31%, and the number of homicides had decreased by 40%. Mayor King also stated that the City has tried to use gaming revenues in its capital budget, rather than its operating budget, and he noted that Gary is free of debt payable from property taxes. He stated that gaming revenues have also been used for infrastructure programs designed to preserve home ownership and thereby build strong neighborhoods.

Mayor King continued by stating that riverboats had in a short time "jump-started" the local economy and promoted additional private investment. He stated that immediately after his testimony he was going to a meeting concerning a proposal to redevelop 180 acres of closed industrial land.

Senator Blade asked Mayor King how much gaming revenue Gary would receive this year. Mayor King estimated that the City would receive \$27 million from gaming revenues, compared with approximately \$80 million from non-gaming sources. Senator Skillman questioned Mayor King on potential local impacts if dockside gaming were allowed. He noted that the current cruising schedules cause traffic jams, and that this problem would be alleviated if dockside gaming were authorized. Mayor King also stated that the Indiana Gaming Commission should review Indiana's experiences with gaming and prepare benchmarks to be used when applications are made for the renewal of casino licenses. (For a written copy of Mayor King's testimony, see Exhibit C.)

After a short recess, Senator Skillman then called on Mr. Monte Denbo, who stated that he was a resident of Rising Sun who was interested in economic development and gaming issues. Mr. Denbo explained that Ohio County is the smallest county in the United States, both in terms of area and population.

Mr. Denbo then described a number of improvements that had been made possible through gaming revenue: (1) downtown renewal projects; (2) a new park; (3) the upgrading of road systems; (4) a new medical center with a full-time physician; (5) a new city hall; (6) bridge and sidewalk improvements; and (7) improvements to public safety equipment. He stated that the most significant impacts to Rising Sun had come from the negotiated revenue-sharing agreement it had entered into with the local casino. Mr. Denbo noted that four community foundations had been established, and these foundations had been able to leverage the gaming revenue. According to Mr. Denbo, these foundations had spent money on things such as river erosion projects, a tanker truck for the fire department, and a senior citizens housing complex.

Senator Skillman then recognized Mr. John Wolf, the Coordinator of the Indiana Coalition against Legalized Gambling. Mr. Wolf began by stating that the push for dockside gambling is another attempt to expand legalized gambling in Indiana, and that the gambling industry hopes to establish Las Vegas-style gambling in the midwest. According to Mr. Wolf, the gambling industry attempts to play states off against each other in order to increase the industry's profits.

He cited a news report in which casino developer Donald Barden was quoted as saying that with dockside gaming he will double the return on his investment. Mr. Wolf then quoted the Chairman of the National Gambling Impact Study Commission, Dr. Kay James, who has said that "Gambling is the most compelling issue facing the United States.

Gambling can not only destroy lives, but an entire nation." Mr. Wolf also pointed out that the National Gambling Impact Study Commission had recommended a moratorium on the expansion of gambling so that additional research could be done.

Mr. Wolf stated that in the past Governor O'Bannon had opposed any further expansion of gambling in Indiana. He commented that the citizens of Indiana should have the opportunity to vote in a statewide referendum on the issue of gambling expansion.

Mr. Wolf testified that he believes the expansion of gambling in Indiana will increase the social costs of gambling in Indiana, and he described studies showing the link between gambling addiction and bankruptcy. He also described a study by Professor Earl Grinols of the University of Illinois and Professor David Mustard of the University of Georgia which found that counties with casinos have a crime rate 8% higher than counties without casinos.

Mr. Wolf stated that under the federal Indian Gaming Regulatory Act, tribes are given the right to establish gambling comparable to that allowed under state law. He said that authorizing dockside gaming would give leverage to those tribes that wish to begin gambling operations in Indiana. He concluded his testimony by reiterating his opposition to dockside gambling and encouraging careful study of the national and state gambling reports and thorough consideration of the social consequences of gambling.

Senator Earline Rogers questioned Mr. Wolf concerning his quote of Donald Barden. Senator Rogers stated that Mr. Barden had actually said that he would double the amount he would invest in the area, not that he would double his return from gaming. Mr. Wolf stated that if the quotation he had read in the newspaper was incorrect, he apologized. Senator Rogers quoted a member of the National Gambling Impact Study Commission, stating that "those who oppose gambling have a moral obligation to suggest alternatives." She asked Mr. Wolf if he had any alternatives to gaming that would help with Gary's economic development. Mr. Wolf replied that it is the job of legislators to come up with those alternatives. Senator Rogers also asked Mr. Wolf how the negatives associated with gaming should be quantified. Mr. Wolf responded that the Chair of the National Gambling Impact Study Commission had stated that the information on this issue was overwhelming and difficult, and that is why the national commission had recommended further study.

Representative John Frenz commented that in any studies concerning the crime rates of counties with casinos, the important issue was the crime rates before the commencement of gaming. Representative Lutz asked Mr. Wolf if he considered gambling an industry. Mr. Wolf replied that he did not, because it was merely a transfer of wealth. Representative Lutz asked Mr. Wolf if he had any statistics showing the number of citizens who opposed the authorization of dockside gaming, and Mr. Wolf replied that he did not. Representative David Crooks asked Mr. Wolf how many persons received the newsletter of the Indiana Coalition against Legalized Gambling, and Mr. Wolf answered that it was sent to approximately 1,000 persons. Representative Bob Kuzman asked Mr. Wolf who would pay for any statewide referendum on the expansion of gambling, and Mr. Wolf suggested that it would be at the public's expense, as with other questions on the ballot. (For a written copy of Mr. Wolf's testimony, see Exhibit D.)

Senator Skillman then recognized Mr. Walter Schulz, Legal Chairman of the Southern Indiana Citizens Against Legalized Gambling. Mr. Schulz began by noting that an employer in the New Albany area had at one time employed over 35,000 workers, but now employed only 5,000. He stated that the community had found a way to deal with this problem. He stated that he had listened to representatives of the gaming industry testify that it had not been necessary for the state to offer incentives to attract casinos to Indiana.

He stated that this occurred because the casinos were allowed to keep 80% of their winnings.

Mr. Schulz commented that the goal of the gaming industry is to have land-based casinos, with the objective of taking as much money from people as possible. He also stated that the law provides that the regulation of gaming should benefit all citizens of Indiana, not just particular communities. Mr. Schulz described the introduction of gambling into Iowa and the "copycat" expansion into a number of midwestern states. He noted that casinos had been described to the public as destination resorts, and that if this were truly the case the patrons would not mind waiting an hour or so if they arrived between riverboat boarding periods.

Mr. Schulz stated that he is a plaintiff in a lawsuit challenging the constitutionality of the 1993 law authorizing gaming in Indiana. He said that the recent push toward dockside gaming in Indiana would just make gaming more accessible, which would lead to increased social problems. He then described to the Committee the following recommendations that had been adopted by the National Gambling Impact Study Commission:

- (1) jurisdictions considering the expansion of gambling should sponsor comprehensive gambling impact statements;
- (2) convenience gambling (such as electronic devices in neighborhood outlets) has fewer benefits and more social costs than other forms of gambling; states should not authorize such forms of gambling, and should cease or roll back existing operations;
- (3) the dangers and risks of gambling should be posted; and
- (4) ATMs and other devices using credit card or debit cards should be banned from the area where gambling takes place.

Mr. Schulz stated that the 1993 gaming law had been passed without a study analyzing the costs of gaming. He also noted that Professor David Ruder, a former head of the Securities and Exchange Commission, had suggested the disclosure protection laws in the securities industry as an appropriate model for the gaming industry. (For a written copy of Mr. Schulz's testimony, see Exhibit E.)

Senator Skillman then recognized Mr. Lonnie Partridge of the Seafarers International Union. Mr. Partridge distributed to Committee members a packet of material. He stated that the material was not intended as a complete study of dockside gaming issues, but it did provide a compilation of the facts and reasons against dockside gaming.

Mr. Partridge testified on the importance of trained maritime professionals to the safety of vessels and their passengers, and he asserted that if dockside gaming were allowed these positions would be eliminated by the companies operating the riverboats. He stated that regular riverboat employees would be assigned to the safety functions currently performed by maritime professionals, but that these regular employees do not have the proper training or experience. Mr. Partridge pointed out that if these positions were eliminated from riverboats, firefighting and rescue responsibilities will have to be turned over to local fire departments. He also commented that if the positions of maritime professionals were eliminated, regular Coast Guard inspections would be replaced by sporadic private inspections.

Mr. Partridge predicted that if dockside gaming were authorized, close to 800 maritime positions would be eliminated. He described these jobs as career jobs that provide opportunities for advancement and pay increases, and he explained that the maritime

employees must acquire "sea time" from cruises to meet Coast Guard requirements and advance in their careers. He requested the Committee to ensure that these jobs be protected in some manner if dockside gaming were allowed. He stated that the issue involved the safety of passengers and vessels, as well as the protection of career jobs in areas in need of employment.

Mr. Partridge testified that when dockside gaming was authorized in St. Louis, most of the maritime employees were fired and the firefighting and other safety functions were assigned to other casino employees, but that a Coast Guard drill showed that these replacements were not able to respond adequately. (For a copy of materials distributed by Mr. Partridge, see Exhibit F.)

Senator Rogers commented that gaming was authorized to create jobs, but that with dockside gaming there might be a reduction in the maritime positions. She stated that this issue needs to be considered, and she suggested the possibility of phasing in any reductions in these jobs.

Senator Skillman then recognized Mr. Tyler Vogt of the Organization of Casino Mariners. Mr. Vogt stated that he is a licensed casino engineer, and that he wished to express an opinion on the issue of dockside gaming. He testified that there currently are more than 700 professionally educated and trained casino mariners employed in Indiana, and he stated that these employees are responsible for the safety of riverboats and their passengers.

Mr. Vogt said that all of these employees are subject to federal competency requirements, Coast Guard inspection, and rigorous training requirements. He noted that casino mariners in Indiana have had an admirable safety record. Mr. Vogt noted that fire is the most threatening hazard faced by vessels. He also testified that there would be a potentially devastating impact on patron safety if maritime employees were removed from riverboats. He suggested that in any proposed legislation concerning dockside gaming: (1) there should be a requirement that Coast Guard inspection and certification must be maintained; and (2) each riverboat should be required to undertake a minimum number of actual cruises.

Senator Rogers questioned Mr. Vogt concerning a statement he had made to the Michigan City "News-Dispatch," in which he had stated that Senator Rogers was calling to put the maritime workers "back into the ghetto." Mr. Vogt replied that dockside gaming and the elimination of maritime positions on riverboats would, at least in a financial sense, force these workers to return to the ghetto. Senator Rogers stated that gaming in Indiana had in fact had the opposite effect and had helped lift many riverboat employees out of poverty.

Senator Skillman then called on Mr. Rick Moore, the General Manager of Hoosier Park. Mr. Moore stated that the horse racing industry supported the request for dockside gaming, as long as the legislation continued the relationship between gaming and the horse racing industry. Mr. Moore commented that the legalization of gaming in Indiana had been beneficial to both the gaming industry and to the horse racing industry.

He noted that \$0.65 from each \$3.00 riverboat admissions tax is distributed to the horse racing industry, with 70% going for purses and promotion and 30% going to tracks. According to Mr. Moore, this distribution to racing purses had greatly encouraged quality standardbred and thoroughbred breeding in Indiana, and any change to the distribution of this portion of the admissions tax could have a devastating effect on the industry. Mr. Moore also pointed out that the Illinois legislation that authorized dockside gaming also included similar distributions to that state's horse racing industry.

Senator Skillman next recognized Mr. Bob Spolyar. Mr. Spolyar explained that over the past three years, Hoosier Park had received \$18.3 million in riverboat admissions tax revenue, but that under the rules of the Indiana Horse Racing Commission much of this was passed through to other parts of the horse racing industry.

Representative David Crooks asked Mr. Moore if he could estimate the size of Indiana's horse racing industry. Mr. Moore replied that Purdue University was undertaking a study to determine this figure, but that some had estimated the industry to be worth \$200 million. Mr. Moore also noted that the horse racing industry in Indiana has been growing. Representative Crooks asked Mr. Moore if he could estimate the number of persons employed by the horse racing industry in Indiana. Mr. Moore answered that he was unsure of the total, but that the figure should take into account those persons employed on farms whose jobs are indirectly dependent on the industry.

Senator Rogers commented that the link between gaming and the horse racing industry had developed from the ideas behind the initial gaming legislation. Senator Rogers stated that the intent had been to use gaming to assist areas such as Gary with economic development, without having a negative effect on the horse racing industry. Senator Rogers noted that other states view Indiana as a model for coexistence between gaming and horse racing.

Mr. James Dickerson was then recognized by Senator Skillman. Mr. Dickerson explained that he is a resident of Gary and works as a deckhand on a riverboat. He stated that he had been involved in an incident in which he had administered first aid to a heart attack victim, and he commented that his professional training as a maritime employee had enabled him to administer aid.

Mr. Dickerson stated that he had been able to advance in his career in the marine industry, but that if cruising requirements were eliminated his advancement would stall, and he might be forced to leave Gary. He also described the aesthetic value of the riverboat cruises.

Senator Skillman then recognized Mr. Spero Batistitos of the Lake County Convention and Visitors Bureau. He began by stating that gaming had changed northwestern Indiana in a positive manner. He asserted that dockside gaming is what customers want, and he said that it should be possible to work with the maritime employees to make sure they are made whole if dockside gaming is authorized in Indiana. Mr. Batistitos also commented that the gaming industry needs to retain a customer-friendly approach, and he mentioned that at some point personal accountability issues need to be addressed.

Senator Skillman thanked the members of the Commission and the witnesses for their participation, and she stated that a proposed final report would be circulated to Committee members before the Committee's final meeting on October 26. There being no further business, Senator Skillman then adjourned the meeting.